HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Victoria CMA

Canada Mortgage and Housing Corporation

Date Released: Second Quarter 2007

2008 at a Glance

- Victoria's housing markets buoyed by strong economy
- Resale market sales to edge down, prices to inch up
- New homebuilding to ease in 2007-08
- Higher new home prices
- Rental vacancies low

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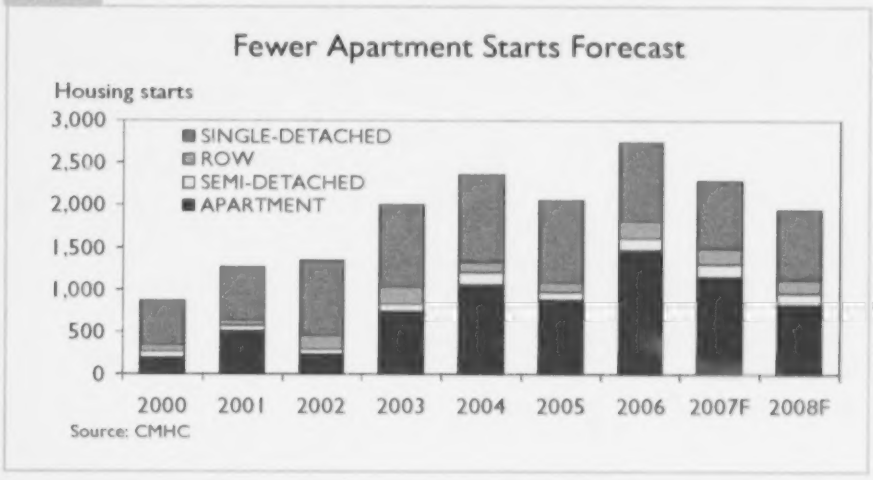

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Resale Market

Price increases to moderate

MLS®[1] average prices are expected to rise close to five per cent this year, followed by an increase of two to three per cent in 2008. Price increases are moderating due to a shift in the balance of supply and demand. The supply of listings has grown since 2006 while buyer demand remains fairly steady. Demand is expected to wane slightly from second half 2007 through the end of 2008 as fewer people migrate to the Victoria area.

The number of annual home sales this year and next will continue the slight downtrend started last year from 2005's record highs. Fewer transactions are an indication of less speculation, as well as a reflection of higher prices, in 2007's real estate market. The market is edging towards a balance between supply and demand following five years of conditions which favoured sellers.

Single family home sales are forecast to remain just under four thousand in 2007 and 2008, as slightly fewer buyers are drawn to this market due to high house prices. Condominium apartment and townhouse sales reflect strong demand for lower-priced homes, with close to two thousand apartment and seven hundred townhouse transactions expected in each of the next two years.

During the first four months of 2007, Metro Victoria single family home sales came in five per cent ahead of last year's levels. West Shore markets (Langford, View Royal, Sooke, Colwood, Highlands and Metchosin) led the increase in house sales, as buyers pushed sales volumes higher in these less expensive markets.

Sales in West Shore markets are expected to continue to outperform other Capital Region markets as buyers are attracted to the area's expanding amenities, as well as its lower house prices.

At April 2007, single family house listings were even with last year's levels despite an uptrend noted in autumn 2006 through this winter. Strong sales early this spring chewed into the rising inventory, and are beginning to put upward pressure on prices once again. Strong employment growth, rising migration and low interest rates are keeping market demand buoyant and the market continues to favour sellers.

April 2007's sales-to-active listings ratio was 37 per cent for single-detached houses, similar to the 38 per cent recorded last April. Year-to-date, the average sale price was up eight per cent. These figures indicate the single family house market currently favours sellers, but listings are expected to rise during the summer, precipitating a return to more balanced conditions by the third quarter of 2007.

Condominium Market Pace to Cool

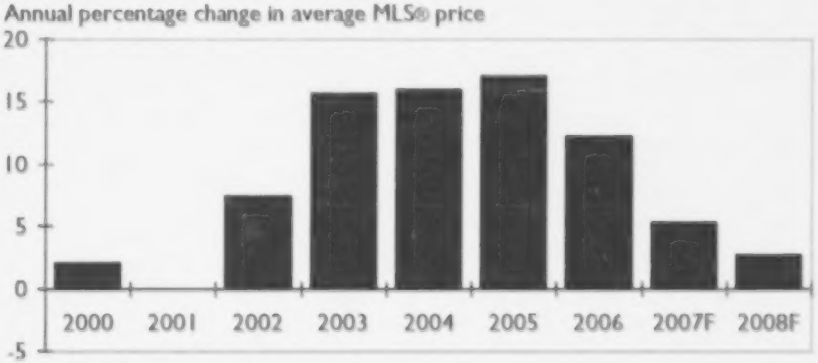
Metro Victoria's townhouse and apartment condominium sales will edge down slowly over the next eighteen months, as less investor activity is anticipated. Investors and first-time buyers are both finding price levels high and the supply of condominiums on the market is up close to fifty per cent from last year, easing the pressure to make a quick purchase decision.

Average townhouse prices are forecast to approach $390,000 next year. During the first four months of 2007, townhouse sales grew seven per cent from last year's levels, active listings rose 59 per cent, and average prices climbed six per cent. A growing number of listings and moderate demand is decreasing upward pressure on prices.

Apartment condominium prices will top $300,000 this year, due in part to more sales of newer suites.

Figure 2

Victoria Resale Price Growth to Slow



Sources: MLS® CREA, CMHC forecasts

[1] *Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.*

The following market indicators reflected a balanced market moving to favour sellers for apartment condominiums during the first four months of 2007. Sales rose eight per cent from last year and average prices rose 16 per cent. However, active listings rose 42 per cent and this trend to increased supply will cause the market to cool slightly later this year and into 2008.

Esquimalt Houses Lowest Priced in Region

Esquimalt was once again the lowest-priced Metro Victoria market for single-detached houses during first quarter 2007. The median price remained at or below $500,000 for most other markets, with the exception of areas with more water-view lots and higher land values: North Saanich, Oak Bay and Saanich East. Next year will see median house prices climb higher in all markets but West Shore markets will experience sharper increases as the proportion of newer, more expensive homes rises.

Figure 4

MLS® House Sales by Market

1st Quarter 2007, Metro Victoria

	Average House Price	Average Days to Sell	Average Size Sq. Ft.
Victoria City	$475,000	41	1,895
Oak Bay	$635,000	52	2,353
Esquimalt	$410,000	38	1,849
Saanich East	$500,000	41	2,258
Saanich West	$419,000	47	2,107
Central Saanich	$441,000	58	2,119
North Saanich	$630,000	47	2,648
Sidney	$415,000	29	1,756
West Shore	$420,000	61	2,136

Source: Victoria Real Estate Board, CMHC Victoria

New Home Market

Homebuilding to Slow

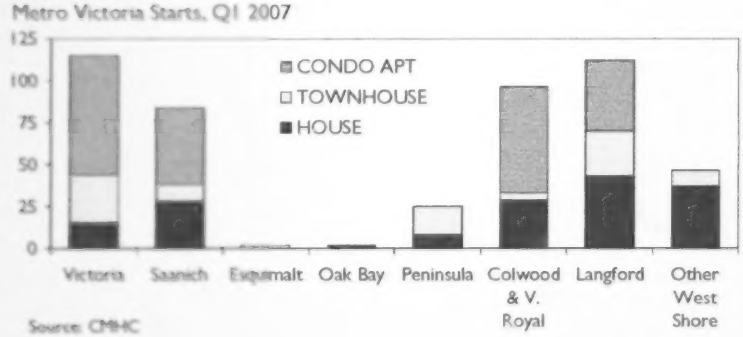
New homebuilding will be strong, but edge down from the seventeen-year high recorded in 2006. Apartment condominium construction will lead Victoria's new home markets this year, but single-detached houses will almost equal apartment condominium starts in 2008.

Move-up, move-down and second home purchasers will remain major players in the new home market through 2008 as equity growth in their current homes has risen with the strong resale market of the past five years. Investors will play less of a role in the coming months, as price increases slow. First-time buyers will also be less active than in the previous two years, due to slightly higher mortgage rates and higher home prices.

Figure 5

Langford Leads Homebuilding in Victoria

Metro Victoria Starts, Q1 2007



Source: CMHC

New House Starts Lower This Year

Single-detached house starts are forecast to edge below 800 in 2007 as builders respond to rising costs and buyer resistance to rising prices. During the first four months of 2007, single detached housebuilding is one-third below last year's pace. Demand for new houses continues strong, although sales are about ten per cent below the exceptional levels seen in 2005 through early 2006. New house demand drivers include robust resale market sales and prices, buoyant consumer confidence, solid employment growth and low interest rates.

New home inventories will remain fairly steady as most new houses are presold before finishing, which keeps the market in balance. High lot costs, growing development fees and

escalating insurance, skilled labour and building supply costs continue to challenge homebuilders.

West Shore markets will dominate the Metro Victoria new house market this year, with close to three-quarters of the region's new houses. West Shore market share is continuing a long-term growth trend, from 54 per cent in 2003. Langford is the strongest single municipality for Metro Victoria housebuilding, with almost one-third of all new houses. Major subdivisions are underway in Sooke, View Royal, Langford, Colwood, and Saanich - several with multi-year buildouts.

New House Prices on Rise

Robust demand and rising building costs are pushing new house prices higher. Median new house prices are forecast to rise eight per cent in 2007 and a further three per cent in 2008.

A wide selection of new houses will be available through 2008. The growing market for modest homes is helping to keep median prices in check despite rapidly rising construction costs.

Builders in some West Shore subdivisions concentrate on lower-priced new houses. Higher-end housebuilding tends to take place in Saanich, North Saanich, Oak Bay and on large properties in the West Shore.

New Apartment Condominiums Buoyant

New condominium apartment starts will trend down gradually in 2007-08 but remain well above historical averages. By 2008, new condominium construction is expected to cool to 830 starts.

Metro Victoria new condominium inventories remain low, with just 34 new apartment condominiums completed and for sale at April 2007.

The market is now classified as balanced: despite the large number of units (2,045 at April 2007) under construction, pre-sales are robust. Over two-thirds of these units are reported pre-sold, reflecting strong market demand. Pre-sales are occurring before projects start in some cases, as well as during project construction.

During the first four months of 2007, 228 apartment condos were completed and 224 sold. Strong demand for luxury condominiums, trendy downtown units and modest suburban suites is driving both sales of new units and presales.

New condominium sales by price range reflect distinct markets for midrange and luxury product: $$260-279,999 for two bedroom suites, followed by $660-679,999 for luxury product of the same size. For one bedroom units, the majority are priced below $260,000 but $460-479,999 is another popular range.

New condominium price movements are influenced by changes in product mix (more high-end vs. moderate suites) as well as rising construction costs. Prices are forecast to edge up through 2008 but median new two bedroom prices are expected to remain below $390,000 during this period.

Moderating demand for luxury suites is forecast for 2008 while demand for midrange and affordable units in convenient locations will expand, resulting in a diverse selection of prices, styles and locations.

Many new condominiums will be built on Victoria City redevelopment sites such as CN Lands, the Railyards, Dockside Green, the Humboldt Valley. Others will get underway in Sidney, Central Saanich, Esquimalt, Saanich and the West Shore. Langford will dominate other West Shore markets in 2007-08 new condominium construction.

Economy

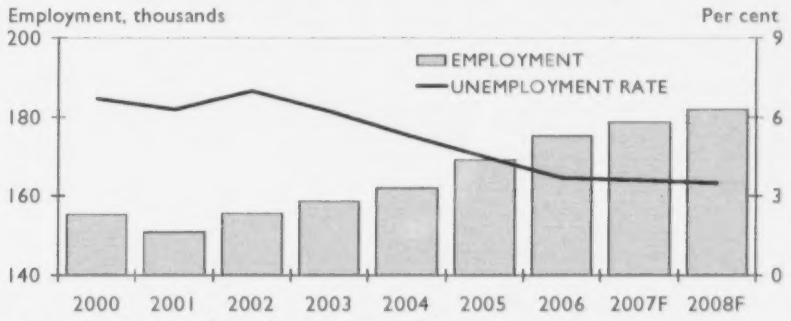
Economic Growth to Continue

Metro Victoria economic growth will reflect strong BC growth patterns over the next 18 months, with real GDP above three per cent in 2007-08.

Victoria employment growth of 1.9 per cent is forecast for 2008,

Figure 5

Tighter Job Market will Attract People



Source: Statistics Canada Labour Force Survey, CMHC forecasts

following 2.5 per cent growth expected this year. Meanwhile, the unemployment rate will remain below four per cent over the next 18 months. Employment growth will be constrained by Victoria's low unemployment rate as employers compete for workers.

Net migration to Metro Victoria is expected to top 2,200 in each of 2007 and 2008. The capital region's population growth will hover around one per cent, below the provincial average.

At year-end 2006, the value of major capital projects proposed, planned or under construction in Metro Victoria totalled $6.1 billion, up from $5.3 billion in June 2006. Major projects scheduled to get underway in 2007-08 include the Hudson (redevelopment of the Bay site) while construction continues at Dockside Green, Selkirk Waterway, Bear Mountain Golf Resort, Silver Spray, the Railyards, Royal Bay, Sun River Estates and the CN Lands (Bayview) project. Major non-residential developments include additions to the UVic campus, a new hospital building at Royal Jubilee and several major projects at CFB Esquimalt.

In addition to construction growth, improvements in tourism, education, high technology and film production will boost economic expansion through 2008.

Tourism growth of two per cent during 2006 was boosted by a sharp increase in cruise ship traffic. During 2007, the Royal BC Museum's Titanic exhibit is expected to increase tourism while the Tall Ships festival will provide a leg up in 2008. Tourism indicators are off to a strong start this year, with hotel room occupancy slight above last year and first quarter 2007 conference centre delegations double last year's level.

Mortgage rates will remain low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively over the rest of this year and in 2008.

Rental Market

Vacancy Rate to Remain Low

Metro Victoria rental apartment vacancies are forecast to rise slightly but remain low over the next 18 months. Strong rental demand will continue to be partly addressed by nontraditional rental product such as secondary suites, rental of condominium units and shared accommodation. Some area municipalities are encouraging development of legal secondary suites.

Limited selection of traditional rental apartments will be available in most Metro Victoria submarkets through 2008. Average rent increases will exceed 3.5 per cent annually, overtaking the inflation rate. Low vacancies and rising rents will also apply to the rental townhouse market in 2007 and 2008.

Only a handful of new multi-family projects will be built for rental over the next two years. Ongoing barriers to rental development include high land costs, municipal DCC's and competitive average rents. Investors find these as impediments to new rental development , and may choose to pursue other opportunities such as mixed-use, niche market, condominium, or commercial projects.

New Townhouse Market Robust

New townhouse starts are expected to remain strong through 2008, in response to growing demand. Over the next two years, starts are forecast at 160-190 annually, up from 111 in 2005.

During the first four months of this year, townhouse construction was double 2006's level. Inventories of newly completed units remain low, and demand is trending up. Buyer interest is rising due to higher single-detached house prices turning some buyers to less expensive alternatives, and also due to the attractiveness of the townhouse lifestyle (low maintenance, less yard work).

Forecast Summary
Victoria CMA
Spring 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	7,685	7,970	7,500	7,200	-4.0	6,900	-4.2
MLS® New Listings	10,329	10,407	12,280	12,600	2.6	11,900	-5.6
MLS® Average Price ($)	325,412	380,897	427,154	450,000	5.3	462,000	2.7
New Home Market							
Starts:							
Single-Detached	1,038	974	928	790	-14.9	820	3.8
Multiples	1,325	1,084	1,811	1,495	-17.4	1,120	-25.1
Semi-Detached	141	94	146	150	2.7	130	-13.3
Row/Townhouse	125	111	198	190	-4.0	160	-15.8
Apartments	1,059	879	1,467	1,155	-21.3	830	-28.1
Starts - Total	2,363	2,058	2,739	2,285	-16.6	1,940	-15.1
Average Price ($):							
Single-Detached	432,826	506,309	552,363	580,000	5.0	595,000	2.6
Median Price ($):							
Single-Detached	399,000	478,950	498,000	530,000	6.4	545,000	2.8
New Housing Price Index (% chg.)	9.1	7.9	3.8	2.5	-	4.5	-
Rental Market							
October Vacancy Rate (%)	0.6	0.5	0.5	0.6	0.1	0.9	0.3
Two-bedroom Average Rent (October) ($)	799	837	874	905	3.5	940	3.9
One-bedroom Average Rent (October) ($)	630	657	681	710	4.3	745	4.9
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level (,000)	162,000	169,300	175,200	178,600	-	182,000	-
Employment Growth (%)	2.1	4.5	3.5	2.5	-1.0	1.9	-0.6
Unemployment rate (%)	5.3	4.5	3.7	3.6	-	3.5	-
Net Migration	1,937	2,551	2,238	2,400	7.2	2,290	-4.6

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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